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DOS review completed

GENERAL

1. New Soviet approach for "improved" relations with US--US
Ambassador Stuart in Nanking reports that the new Soviet Ambassador, Roschin, opened his introductory call by asking what could be done to improve conditions between the US and USSR. Roschin spoke of Soviet hopes arising from the Smith-Molotov exchange and "the desire of all people for peace." Stuart replied that the US people desire peace, fear the outbreak of another war, and are harassed by fears and suspicions of Soviet aggression; he described the problem as involving "two great nations, each respecting the right of the other to maintain its own form of government and ideologies without interference, while avoiding aggressive designs against smaller countries which would disturb confidence." Roschin concurred and asked what could be done. Stuart suggested an approach to the Department of State through the Soviet Embassy in Washington or, as a "wise Chinese method for reaching a solution," the good offices of some neutral country as middle-man. Stuart added that in any event he was certain the US Government "would welcome any such proposal" which it was convinced was not being made for propaganda purposes. In a discussion of the China situation, the Soviet Ambassador (former military attache in Nanking) asked if Chiang were aware of the real military conditions, and he volunteered the comment that the Generalissimo's field officers were perhaps misleading him.

EUROPE

2. FRANCE: Unconditional approval of London agreement unlikely--
US Ambassador Caffery reports that it is now unlikely that the Government could obtain a majority vote in the Assembly for outright support of the London agreement. Caffery says that the wording of the necessary "order of the day" on which the final vote will be made will probably avoid complete approval of the Government's German policy and may even call on the Government to seek "supplementary guarantees" in connection with the agreement. Caffery says the Assembly debate on the London agreement

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may be delayed by the critical school issue, which has taken a "sharp turn for the worse."

(CIA Comment: In the event that the approval of the order of the day contains reservations regarding the Government's foreign policy, CIA believes that these conditions will be formulated as to permit the Government to approve the London agreement.)

3. **ITALY: ECA slash threatens position of Italian Government**--Premier De Gasperi has emphasized to Ambassador Dunn the delicacy of his Government's position because of the action of the US House of Representatives in reducing the appropriation of the Economic Cooperation Administration (ECA). De Gasperi points out that the Government's whole policy during the April electoral campaign was based publicly on full commitment to the European recovery program and that he has publicly reiterated since the election that Italian recovery and social and agrarian reform were dependent on this program.
4. **YUGOSLAVIA: Regime thought groping for new policy**--US Ambassador Cannon reports his belief that the confidence of the Tito regime in its ability to move forward boldly is faltering and that the Government is groping for a policy which will make it once again the Balkan "spearhead of evangelical and expansionist Communism." Cannon points out that in making its reappraisals the Yugoslav Government finds little comfort at home or abroad in the face of: (a) the recent firm and vigorous US policy which has blocked Yugoslav designs on Austria, Trieste, and Greece; (b) increasing internal economic difficulties; and (c) political deviationism which is affecting even the top structure of the Communist Party. Cannon believes that Greece is still the foremost Yugoslav problem and that events in Greece will profoundly influence all Yugoslav campaigns and policies.

(CIA Comment: The recent Communist purges in Yugoslavia and the tightening of police controls will enable the Tito regime to survive the present period of indecision. Despite these measures, economic and political conditions will probably further deteriorate. Consequently, preoccupation with these internal difficulties will force the Tito regime for some time to play a less aggressive role in international affairs.)

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FAR EAST

- 5 KOREA: Delay of US recognition recommended--US Political
Adviser Jacobs feels that a decision on the matter of US recog-
nition of the anticipated Korean Government should be delayed.
Jacobs believes that prior to making such a decision it is
necessary to know: (a) the kind of government the National
Assembly will form; (b) the UN Commission's attitude toward
that government; (c) the arrangements for the establishment
of native security forces and for the withdrawal of occupation
troops; and (d) the general attitude of the new government
toward the transfer of authority. Jacobs adds that early US
recognition would "almost certainly" lead to formal recog-
nition of the North Korean People's Committee by the USSR
accompanied by the accusation that precipitate US action had
prevented Korean unification. Jacobs feels that both Korean
and UN opinion might thus be alienated and that the US might
"find itself alone with a very difficult new state without UN
support."

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